

VZCZCXYZ0000
RR RUEHWEB

DE RUEHWN #0675/01 2961358
ZNY CCCCC ZZH
R 231358Z OCT 09
FM AMEMBASSY BRIDGETOWN
TO RUEHC/SECSTATE WASHDC 7917
INFO RUCNCOM/EC CARICOM COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 0310
RULSJGA/DEPT OF TRANSPORTATION WASHINGTON DC
RUMIAAA/HQ USSOUTHCOM J2 MIAMI FL
RHMFIISS/FAA NATIONAL HQ WASHINGTON DC
RUMIAAA/HQ USSOUTHCOM J5 MIAMI FL

C O N F I D E N T I A L BRIDGETOWN 000675

SIPDIS

E.O. 12958: DECL: 10/15/2029
TAGS: ECON ETRD EAIR PREL CN XL
SUBJECT: CHINESE-MADE PLANES HEADED TO THE CARIBBEAN

Classified By: Charge d,Affaires, a.i. D. Brent Hardt Reasons 1.4 (b/d)

.

Summary

¶11. (C) The Governments of Barbados and Antigua, two of the three majority shareholders in the monopoly regional air carrier LIAT (Leeward Islands Air Transport), have expressed strong interest in replacing the aging fleet of turboprops with Chinese-made planes. China's Ambassador in Antigua confirmed that the Chinese are very interested in expanding into the civilian aircraft market and hope to use the Caribbean as a springboard to larger markets in North and South America. St. Vincent, the third largest shareholder in LIAT, is not convinced that planes from China make the most commercial sense. End Summary.

China looking to expand into the Civilian Aircraft Market

¶12. (C) Antigua and Barbuda FinMin Harold Lovell told us in private meetings on September 23, 2009 that, after years of seeking to upgrade the fleet of Canadian manufactured Dash-8 turboprop airplanes, two of the three countries that own regional air services monopoly LIAT are strongly considering a deal with the Chinese to replace the fleet with Chinese planes. Barbados and Antigua, both of whom have taken great pains over the past two years to improve and expand their economic relationship with China, have decided that Chinese-made Xian Aircraft Industry ltd MA60 turboprops, which are very similar to the Canadian-made Dash-8's currently in service, and the concomitant concessionary financing terms, are likely the best way to upgrade the regional carrier. Recent articles in the Barbadian and Antiguan media highlighted discussions by their respective Prime Ministers outlining the structure of the deal, which is purported to include a recapitalization of the flagging airline as well as low interest trade facilitation loans to finance the planes. In one such article, Barbados PM Thompson expressed interest in sourcing Chinese military technology in addition to the civilian aircraft.

¶13. (C) According FBO2000 CEO Ms. Mikedo Mickael -- FBO2000 is the contract operator of the VIP terminal at the VC Bird International Airport -- going with a new manufacturer will necessitate the replacement of the entire fleet over the medium term due to the different maintenance and operator training schedules caused by operating two different types of planes. The increased costs associated with running two different types of planes in such a small fleet would likely prove prohibitive over the long term. FinMin Lovell agreed that it would likely be necessary to replace the entire fleet

in the medium term if they went with a new manufacturer because of the cost associated with carrying two different types of aircraft.

¶4. (C) Chinese Ambassador to Antigua and Barbuda Chen Ligang told us that his government is keenly interested in expanding beyond traditional markets and industries, and noted that the Eastern Caribbean is a great showcase for China's "quality products." In order to continue to grow and expand, he said, China must move up the value chain to higher-end, more complex products like airplanes and automobiles. However, he lamented, it is very difficult to sell these products to traditional markets like the U.S. and Europe due to competition, so we are looking to expand into smaller, less competitive markets first. Chen said China had already made deals to sell planes to Bolivia and in Africa, but LIAT would allow China to show the quality and safety of its planes to American and European tourists.

St. Vincent Not Sold on the Idea

¶5. (SBU) Following a meeting of LIAT shareholders on October 10, St. Vincent PM Gonsalves reaffirmed that the Chinese government is interested in selling planes to the region's airline. (Note: The governments of Antigua, Barbados and St. Vincent are the majority share holders of LIAT. End note.) Gonsalves also noted that Barbados PM Thompson is scheduled to visit China soon, where more information concerning the Chinese offer will likely come out. In a statement following the meeting, though, Gonsalves explained that, in his opinion, LIAT is only in need of upgrading the three smallest and most outdated versions of its Dash-8 fleet of 18. This could be accomplished, he said, by going with Bombardier, the manufacturer of the existing fleet, and would only require US\$54 million.

Comment

¶6. (SBU) The Chinese are very active in the Eastern Caribbean and have completed many high-profile projects in both Antigua and Barbados, along with several rounds of high-level visits in both directions. There has long been talk of increasing trade and investment ties, both of which would be addressed through a deal to replace LIAT's fleet of 18 planes with MA60's made in China. This appears to be a win for both sides and the first tangible payoff in the region for China's continued largess. The one issue the deal is facing is St. Vincent's recognition of Taiwan, which may help to explain Gonsalves' limited support for the planned "upgrade." It is unlikely that St. Vincent would scuttle the deal simply because of their recognition of Taiwan. That said, however, they are not beholden to the PRC for loans and large construction projects so they are understandably less enthusiastic about using a fleet of brand new, largely untested planes for the carrier that they all fly on. If nothing else, being the lone holdout and ally of Taiwan strengthens Gonsalves' ability to leverage his support against future assistance from the PRC for his own pet projects.

HARDT